State Employee Benefits Committee
Tuesday, April 19, 2011, 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on April 19, 2011 at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, Director, OMB, SBO
Faith Rentz, Deputy Director, OMB, SBO
Mike Morfe, Aon – Hewitt Consultant
Vicki Ford, OMB
Casey Oravez, OMB
Mary Thuresson, OMB, SBO
Andrew Kerber, DOJ
Russ Larson, Controller General
Tom Cook, Secretary of Finance
Henry Smith, DHSS
Chip Flowers, Treasurer
Erika Benner, Treasurer's Office
Carolyn Berger, Justice, Supreme Court
Dave Craik, Pension Office
Kim Vincent, Pension Office
Karen Weldin Stewart, Insurance Commissioner
Cindy Diaz, PHRST
Monica Gonzalez-Gillespie, OMB, HRM
Rebecca Steele, OMB
Pat Griffin, SEBAC, DOJ
Tim Barchak, DSEA
Drew Brancati, Blue Cross Blue Shield DE
Faith Joslyn, Blue Cross Blue Shield DE
Chris Ulrich, U of D
Judy Grant, HMS
Julie Caynor, Aetna
Mike North, Aetna
Greg Sisofo, Delta Dental
Sandy Richards, AFSCME
Vincent McCann, AFSCME
Hugh Ferguson, DRSPA
James Harrison, DSEA - R
Jim Testerman, DSEA-R
Rich Phillips, DSEA-R
Dave Leiter, DHSS

Agenda Items Discussed:

Introductions/Sign In

Ms. Visalli called the meeting to order at 2:00 p.m. Introductions around the room followed.

Approval of Minutes

Ms. Visalli gave time to review the minutes from the March 14, 2011 SEBC meeting and then asked for a motion to approve. Controller General Larson made the motion and Mr. Smith seconded the motion. Upon unanimous voice vote the minutes were approved.

Directors Report – Brenda Lakeman

Open Enrollment (OE) starts May 9 and runs through May 25. A post card has been sent to employees announcing OE is coming and to watch for a packet in the mail. The packet includes a letter to active employees and pensioners with a What's New brochure, a packet of Federal notices required to be sent to participants and enrollment applications in the pensioners' mailings. On May 2 will be the mailing of the Smart Enrollment Analyzer. This is in association with the Consumer Directed Health Plans, to help employees choose the best plan for them based on their utilization and out of pockets costs. The week of May 2 will also be Benefit Representative briefings to ensure agency/school district staff is up to speed with changes. Ms. Rentz will be conducting employee communication meetings for the new Consumer Directed Health Plans. They will be held in each county the first week of May to help employees understand the new health plans.

There have been recent articles in the news, with the release of the Department of Insurance report on the High Tech Imaging Pre-Authorization Program. Both Blue Cross (BCBS) and Aetna contract with Med Solutions for the prior authorization of high tech imaging which includes the MRI, CAT scans, and PET scans. No part of the State's contract with BCBS or Aetna, regarding hi tech imaging review is based on cases denied. We pay on a fee per test review basis. The nuclear cardiac testing is not required as a prior authorization through BCBS. Doctors can schedule those without review. The Statewide Benefits Office has received minimal calls since the program was implemented with BCBS in July of 2010. There were no related questions.

Health Fund Financials – Vicki Ford (handout)

The Health Fund has received in the past month a $5.3 million (M) rebate from Medco. That represents the period of October through December 2010. The Health Fund & Equity, which is cash fund balance, as of the end of March is $33.7 M, which is up $6.2 M from the prior month.

Controller General Larson expressed concern over a recent article about BCBS's surplus/reserves. Ms. Visalli stated it doesn't relate to the Health Fund. Mr. Morfe confirmed that because the Group Health Program (GHIP) does not pay insurance premiums and is self-insured, the GHIP is disconnected from surplus/reserves reported by BCBS.

Spousal Coordination of Benefits Policy Update - Brenda Lakeman (handout)

The current Spousal Coordination of Benefits policy does not require that spouses, who retire from their own employer's plan, enroll in their employer's retiree health plan. The policy has been updated to include this change. It would be effective July 1, 2011. It would be for spouses who retire after that date, as well as current spouses who would be eligible to enroll in their retiree health plan and that they do so under certain circumstances. The change mirrors the current requirement in place for spouses of active employees. If the spouse's employer offers an employee health plan and the spouse is not required to pay more than 50 percent of the premium, the spouse is required to enroll in that plan and the spouse's employer coverage would serve as primary coverage for the spouse. The proposed changes to the policy would extend those same requirements to the spouses of retirees. Additionally, the proposed changes include a correction from "if the employee, etc." to "if the employee or pensioner" where applicable. On the second page another modification is proposed to state that if the spouse is retired and eligible for retiree health care coverage, they are required to enroll in that plan. Questions were answered. It was explained that the state's plan could be secondary instead of primary for those spouses who enrolled in their own retiree plan. This is the same policy as for the active employees, which to this point had not been enforced with our retirees. A vote is required to adopt this. Comments will be heard before a vote is taken today.

Adult Dependent Children Update – Brenda Lakeman

Per previous discussion, the adult dependent children will be eligible to reenroll for our plan with an effective date of July 1, 2011. The enrollment period will be from May 9 through June 9. The federal regulations require a 30 day period. May 9, 2011 the GHIP annual OE starts. During OE, active employees will be able to enroll on-line but will have an extended period until June 9 to enroll adult dependent children.

The definition of the adult child dependent for this 24 to 26 year period is "regardless of student, marital, residency, support or tax status", but the adult child dependent eligible for tax free coverage is defined as a "son, daughter, step-child or adopted child." Our current policy covers other children, grandchildren, niece, nephew, etc." as long as they are full-time students up to age 24. At the current time that would continue; however, those dependents would not be extended to age 26. The tax regulations need to be looked at to make sure our plan is in compliance. Materials concerning this will be included in the OE mailing.

Senate Bill 35 to extend coverage for the month of June 2011 for those dependents who would have aged out due to student status, graduation from college or turning 24, was introduced and passed in the Senate. When the legislature comes back in session in May, it is expected that the bill will go to the House for action.

In lieu of the student certification letter normally sent by the carriers in April to determine if students will be continuing or graduating, Statewide Benefits will send a letter to any members who have dependents from 21 to 24 to alert them of the policy change for adult dependents. They will need to complete the Adult Dependent Coordination of Benefits form. That is based on the policy the committee adopted earlier this year to verify other employer coverage. If it is completed by the June 9 deadline they will be covered as primary if they have no other employer coverage or secondary if they do. If the form is not completed they will be sanctioned as done with our current spousal policy until they complete the form. Details were given as to the content of the letter to be mailed. The letter will also include an update on Senate Bill 35 and notification that if the bill is signed, an update will be placed on the Statewide Benefits website as well as an email notification to Benefit Representatives.

Justice Berger expressed concern of the possibility of parents signing up for COBRA when it is anticipated that gap coverage will in place before June 1. Ms. Lakeman explained that Statewide Benefits will also handle communications regarding COBRA in the event that the legislation is not passed before June 1.

House Bill 81 Update – Ann Visalli (handout)

House Bill 81 is the health and pension bill that passed the General Assembly last Thursday. Ms. Visalli thanked all who played a role and were helpful in pulling that together. Frequently Asked Questions (FAQs) are on the Statewide Benefits website now as well as a chart. A description of the chart was given. The SEBC held current rates constant for FY12. The health care cost share changes in House Bill 81 will go into place July 1, 2012 as well as any increases approved by the Committee for FY12. Highlights of the health care changes include modifications to the years of service required for the state share of health care upon retirement. There is elimination of double state share for employees hired or benefit eligible after January 1, 2012 and beginning, July 1, 2012, double state share employees will be imposed a $25 per contract per month charge. An updated chart will be sent as a couple of updates were not included on the chart distributed with meeting materials.

SEBAC Comments

None.

Public Comments

Hugh Ferguson, DRSPA, stated he recently read that 69 percent of Delawareans depend on social security for more than 50 percent of their income. He referenced the recent announcement of additional revenue estimated by DEFAC and that the additional revenue could be used to provide retirees with cost of living increases. Ms. Visalli reminded attendees that the SEBC is not responsible for the pension fund.

Dave Leiter, state employee, stated he previously referred to pay grades 1-5. He expressed that from what he understands and reads about the changes for 2012, employees and families from pay grades 1-7 will be impacted most. If there is any way it can be looked at and something done for those pay grades 1-7, it would be greatly appreciated.

Justice Berger asked if the SEBC had authority to take a vote and determine if an agreed upon amount of money out of the health fund could be allocated to cover the employee cost of health premiums of employees in pay grades 1-7 for one fiscal year or a defined period of time. Ms. Visalli explained that the Committee's charge is to administer the plan as it is legislated, which does not allow for employee contributions based upon pay grade. Justice Berger reminded the Committee of their decision to implement a premium moratorium that resulted in employee's not paying employee health contributions for one month. Ms. Visalli noted that the Committee approved rates for FY13 and another year of no increases in employee contributions. Additionally, it was noted that the working group behind the recent passage of House Bill 81 researched various options to changes in health and pension costs and that the outcome is the components of this recent legislation. Ms. Visalli wants to be sure this Committee is careful not to make changes that conflict with objectives of House Bill 81. Justice Berger stated that she did not feel that paying employee contributions for lower pay grades with excess health funds would be in conflict with the legislation.

Controller General Larson asked if excess health funds would be utilizing reserve funds. Ms. Visalli explained the discussion was related to the surplus funds and referenced the $33M in unencumbered funds on the Fund & Equity reporting. Ms. Ford reminded the Committee that the Fund & Equity provides a monthly cash fund balance and does not take into account projected expenses in the upcoming fiscal year.

Other Business

None.

Ms. Visalli asked for a motion to approve the changes to the Spousal Coordination of Benefits Policy. Commissioner Stewart made the motion and Mr. Smith seconded the motion. Being no further questions and upon unanimous voice approval the motion carried.

Treasurer Flowers stated he receives numerous inquiries from vendors and retailers who are interested in providing discounts to state employees. An example was given. He was unsure of where to direct them and suggested that a central location or website be developed to post these discount opportunities to state employees. Ms. Lakeman explained that it is the policy of the Statewide Benefits Office to encourage vendors to offer a discount to state employees; however, it is the responsibility of the vendor to advertise such discounts since such discounts are not solicited by the State nor competitively bid.

Ms. Visalli reminded all that the next meeting would be Monday, May 23 at 2:00 p.m. in the same room. She asked for a motion to adjourn. Secretary Cook made the motion and Mr. Smith seconded. Upon unanimous voice approval the public meeting ended at 2:40 p.m.

Respectfully submitted,

Mary K. Thuresson
Administrative Specialist
Statewide Benefits Office, OMB